

~~4. SALES OF COVERED CAPS OR FLOORS, IF THE INSURER HOLDS IN ITS PORTFOLIO THE INVESTMENTS GENERATING THE CASH FLOW TO MAKE THE REQUIRED PAYMENTS UNDER THE CAPS OR FLOORS DURING THE COMPLETE TERM THAT THE CAP OR FLOOR IS OUTSTANDING.~~

~~(H) THE TRANSACTIONS DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH ARE SUBJECT TO THE FOLLOWING QUANTITATIVE LIMITS: IF AS A RESULT OF AND AFTER GIVING EFFECT TO THE TRANSACTIONS, THE AGGREGATE STATEMENT VALUE OF THE FIXED INCOME ASSETS THAT ARE SUBJECT TO CALL OR THAT GENERATE THE CASH FLOWS FOR PAYMENTS UNDER THE CAPS OR FLOORS, PLUS THE FACE VALUE OF FIXED INCOME SECURITIES UNDERLYING A DERIVATIVE INSTRUMENT SUBJECT TO CALL, PLUS THE AMOUNT OF THE PURCHASE OBLIGATIONS UNDER THE PUTS, DOES NOT EXCEED 10% OF ITS ADMITTED ASSETS.~~

(6) ~~(4)~~ AN INSURER SHALL INCLUDE ALL COUNTERPARTY EXPOSURE AMOUNTS IN DETERMINING COMPLIANCE WITH THE LIMITATIONS OF § 5-507 OF THIS SUBTITLE.

~~(6) (I) IN ACCORDANCE WITH REGULATIONS ADOPTED UNDER THIS SUBSECTION, THE COMMISSIONER MAY APPROVE ADDITIONAL TRANSACTIONS INVOLVING THE USE OF DERIVATIVE INSTRUMENTS IN EXCESS OF THE LIMITS OF PARAGRAPH (3) OF THIS SUBSECTION OR FOR OTHER RISK MANAGEMENT PURPOSES UNDER REGULATIONS ADOPTED BY THE COMMISSIONER, BUT REPLICATION TRANSACTIONS MAY NOT BE PERMITTED FOR OTHER THAN RISK MANAGEMENT PURPOSES.~~

~~(H) AN INSURER MAY PURCHASE OR SELL ONE OR MORE DERIVATIVE INSTRUMENTS TO OFFSET, IN WHOLE OR IN PART, ANY DERIVATIVE INSTRUMENT PREVIOUSLY PURCHASED OR SOLD, AS THE CASE MAY BE, WITHOUT REGARD TO THE QUANTITATIVE LIMITATIONS OF THIS SUBSECTION, PROVIDED THAT THE OFFSETTING TRANSACTION UTILIZES THE SAME TYPE OF DERIVATIVE INSTRUMENT AS THE DERIVATIVE INSTRUMENT BEING OFFSET.~~

(7) ~~(5)~~ EACH DERIVATIVE INSTRUMENT SHALL BE:

(I) TRADED ON A SECURITIES EXCHANGE;

(II) ENTERED INTO WITH, OR GUARANTEED BY, A BUSINESS ENTITY;

(III) ISSUED OR WRITTEN BY OR ENTERED INTO WITH THE ISSUER OF THE UNDERLYING INTEREST ON WHICH THE DERIVATIVE INSTRUMENT IS BASED; OR

(IV) IN THE CASE OF FUTURES, TRADED THROUGH A BROKER THAT IS REGISTERED AS A FUTURES COMMISSION MERCHANT UNDER THE COMMODITY EXCHANGE ACT OR THAT HAS RECEIVED EXEMPTIVE RELIEF FROM REGISTRATION UNDER RULE 30.10 ADOPTED UNDER THE COMMODITY EXCHANGE ACT.